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December 16, 2005

Mary L. Cottrell
Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: D.T.E. 05-89 - Petition of Cambridge Electric Light Company and Commonwealth Electric Company for a Proposed Increase in its Transition Charge
Comments of The Energy Consortium

Dear Secretary Cottrell

As counsel representing the The Energy Consortium[1] ("TEC"), I am pleased to offer comments urging the Department of Telecommunications and Energy ("Department") to reject the proposed increase in the transition charge filed by Cambridge Electric Light Company ("Cambridge") in the above captioned proceeding.

While there has been insufficient time since the December 2, 2005 filing to fully examine the second proposed adjustment to Cambridge's transition charge in the last six months, we take strong issue with the manner in which the Company proposes to recover it. As filed, Cambridge proposes an average transition charge of $0.01723, an increase over its currently approved transition charge of approximately 450%. In addition, Cambridge has proposed an 18.3% increase in its transmission charge and a new additional charge related to default service of $0.00245 per kwH. While the amounts taken individually may seem less than significant, the total impact is extremely significant, particularly in light of other increasing energy components over which

[1] Members endorsing this letter include President and Fellows of Harvard College ("Harvard"), Massachusetts Institute of Technology ("MIT"), Rowland Institute and Whitehead Institute.

Cambridge and its consumers may have less control. For TEC alone, the impact is estimated to be over $2 million in increased charges.

Cambridge's request in this docket seemingly ignores the Department's clear message regarding rate continuity in denying its May 2000 request to increase the transition charge. In its approval of a transition charge for Cambridge customers in D.T.E. 05-45 only six months ago, the Department stated that the increase as proposed by Cambridge as well as the transmission rate changes included in the filing were inconsistent with the Department's policy of rate continuity. Noting that the projected undercollection was likely to change, the Department directed Cambridge to implement a more gradual recovery of unrecovered transition costs. Boston Edison Company/Cambridge Electric Light Company and Commonwealth Electric Company, D.T.E. 05-44/05-45, pp.6-7. TEC notes that in the May 2005 filing, Cambridge sought approval of the 362.5% increase in its proposed transition charge which would "avoid a significant rate shock in 2006". May 24, 2005 Letter of Robert Werlin on behalf of Cambridge, p. 2.[2]

Apparently, the higher 450% proposed increase in 2006 over the average transition charge in 2005 still goes unrecognized by the Companies as potentially a "significant rate shock" to its customers, directly compromising the Department directive in D.T.E. 05-44/05-45. It is not clear what the Department needs to do to get Cambridge's attention regarding rate increases and design. TEC, if not the Companies, carefully reviews the Department's Orders in proceedings in which it participates.

TEC notes that the potential proposed increase in the transition charge could have immediate and substantial impact on electric customers in Cambridge if implemented as requested on January 1, 2006. An increase of this magnitude can wreak havoc on the budget process under which all large businesses must operate. Indeed, it is difficult to envision a more serious violation of the principle of rate continuity.

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[2] At that time, the Attorney General had requested that the Department reject both Boston Edison Company and Cambridge Electric Light Company proposals to implement rate adjustments for both distribution rates and transition charges, asserting that NSTAR had not addressed the benefits ratepayers would realize from recent purchased power agreements buyouts, restructuring and securitization. In addition, the Attorney General stressed that NSTAR had failed to show full mitigation of transition costs and minimization of transition costs on ratepayers.

There can be no dispute that the Department has consistently upheld the importance of rate continuity. For example, in Boston Gas Company d/b/a Keyspan Energy Delivery New England, the Department limited increases between rate elements in a class as long as no rate increase component increases by more than the rate of inflation. D.T.E. 03-40, p. 503. (2003). Surely, the proposed increase is substantially more than the cost of inflation for a charge which has been monitored and adjusted on an annual basis. Similarly in other rate case proceedings, the Department has capped increases in revenue requirements to any single class at 6% in the interest of continuity. See *e.g.*, Bay State Gas Company, D.P.U. 92-11, p. 319 (1992). Cambridge's most recently proposed increase for 2006 would far exceed this standard.

Based on the information in the last filing, after 2005, Cambridge faces declining transition costs. Such circumstances seems tailor-made for a more gradual recovery of transition costs. What is particularly perplexing is that both BECo and Commonwealth had recently requested and received Department approval relating to the issuance of rate reduction bonds. Petition of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric, D.T.E. 04-70 (2005). This is certainly one mechanism to spread the recovery of transition costs over a longer period of time at a reasonable cost with assured recovery for the Company. It is not clear why NSTAR Electric did not choose to include Cambridge in its proposed securitization of transition costs. We do note that the filing made by BECo regarding its transition costs on May 24, 2005 proposed a reduction in its current transition cost charge to avoid an overcollection of approximately $69 million. Boston Edison Company d/b/a/ NSTAR Electric, D.T.E. 05-44, May 24, 2005 Letter of Robert Werlin on behalf of BECo.

Clearly, there are alternatives open to Cambridge, like securitization, that can insure full recovery yet prevent the dramatic increase proposed by Cambridge in this docket and avoid the rate shock to its customers beginning next month. I urge the Department to reassess Cambridge's proposal in this proceeding and mitigate the proposed impact to the Cambridge customers who after all are part of the NSTAR Electric family. If securitization is no longer an option for Cambridge, the Department should at the very least require Cambridge to substantially reduce the proposed increase in the interests of continuity and spread the collection of the deferred transition charges over a far longer term. Cambridge would still be made whole if the collection is spread over a longer time period but the otherwise sudden and massive rate increase would be mitigated for its customers.

Respectfully submitted,

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JAD/df
cc: Service List